
ANNUAL REPORT

The Great West Saddlery Company Ltd.

Fiscal Year Ending December 31st, 1939.

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ANNUAL REPORT

To the Shareholders:

Your Directors have pleasure in submitting the balance sheet of your Company as at December 31st, 1939, and the profit and loss and earned surplus accounts, which, together, show results of operations for the fiscal year ended December 31st, 1939.

Operating profits for the year ended December 31st, 1939, after bond interest, but before depreciation and income tax, amounted to _____ \$ 85,248.00

After setting aside an amount of _____ \$ 24,000.00
for depreciation of buildings and machinery, and providing for income taxes of _____ \$ 12,812.00
there is a net profit of _____ \$ 48,436.00
which has been carried to earned surplus account.

Operating conditions throughout the year varied considerably. The improvement in Western purchasing power resulting from a gain in the Prairie crops was offset to some extent by the period of tension and uncertainty prior to the War. Since the outbreak of War, there has been a decided tendency for merchandise and raw material costs to increase but sales showed substantial improvement from September 1st, 1939.

With material costs advancing, care has been taken that the operating results do not reflect any inventory profits. Our inventories of merchandise and supplies have been priced conservatively.

A dividend equal to four quarterly payments on the 6% First Preferred Stock was paid in December and further declarations will be made as earnings and working capital position permit. Sales to date in 1940 continue to be in excess of the corresponding period in 1939.

Net working capital as of December 31st, 1939, was _____ \$911,882.00
an increase of \$40,329.00 over the figure at the end of the preceding fiscal year. Current assets were approximately 3.2 times current liabilities.

The operations of the Sinking Fund during the year resulted in a reduction of \$20,500.00 in par value of First Mortgage Bonds outstanding.

It is with sincere regret that your Directors record the death during the year of Mr. F. O. Mitchell, of Toronto, who served the Company so capably as Director for the past nine years and as President for the past five years.

Your Directors wish to place on record their appreciation of the efforts and loyal co-operation of the General Manager, Mr. D. J. Hutchings, the Assistant Manager, Mr. J. C. Broadfoot, and all the members of the Staff throughout the year.

On behalf of the Board,

H. E. COCHRAN,

Vice-President.

Winnipeg, Manitoba,
February 15th, 1940.

The Great West Saddlery Company Limited

PROFIT AND LOSS STATEMENT FOR THE YEAR ENDED 31ST DECEMBER, 1939

STATEMENT II

Profit from operations for the year, before charging Executive Salaries, Bond Interest, Depreciation and Income Taxes		\$ 124,445.40
Deduct Executive Salaries	\$ 16,666.72	
Directors' Fees	Nil	
Bond Interest	22,530.70	39,197.42
Profit before providing for Depreciation and Income Taxes		\$ 85,247.98
Deduct Provision for Depreciation	\$ 24,000.00	
Dominion and Provincial Income Taxes, estimated	12,811.66	36,811.66
Net Profit for the year, carried to Surplus Account (Statement III)		<u>\$ 48,436.32</u>

STATEMENT III

STATEMENT OF EARNED SURPLUS FOR THE YEAR ENDED 31ST DECEMBER, 1939

Surplus at 31st December, 1938	\$ 43,544.34
Dividends Paid, being four quarterly dividends of 1½% on First Preference Stock for the year ended 31st March, 1939	20,976.00
	<u>\$ 22,568.34</u>
Net Profit for the year ended 31st December, 1939, per Statement II	48,436.32
Surplus at 31st December, 1939, carried to Statement I	<u>\$ 71,004.66</u>

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1st DECEMBER, 1939

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LIABILITIES AND CAPITAL

CURRENT LIABILITIES

Bank Loan (Secured)	\$ 220,000.00	
Bank Overdraft	34,943.49	
Accounts Payable and Accrued Charges		
Trade and Sundry	134,514.68	
Dominion and Provincial Taxes Payable	644.93	
Estimated Income Taxes	13,500.00	
Bond Interest Payable and Accrued	8,175.00	\$ 411,778.10

FIRST MORTGAGE 20 Year 6% Sinking Fund Gold Bonds

Authorized	<u>\$1,000,000.00</u>	
Issued	\$ 850,000.00	
Less Redeemed	479,500.00	370,500.00

RESERVE FOR SUNDRY CONTINGENCIES

18,525.00

RESERVE FOR DEPRECIATION

64,505.00

CAPITAL

Authorized

6,992 Shares 6% Cumulative Redeemable (at Company's option) First Preference Stock of \$50.00 each	\$ 349,600.00	
1,158 Shares 6% Cumulative Redeemable (at Company's option) Second Preference Stock of \$50.00 each	\$ 57,900.00	
Common Stock of No Par Value	40,000 Shares	

Issued

6,992 Shares First Preference Stock	\$ 349,600.00	
1,158 Shares Second Preference Stock	57,900.00	
39,871 Shares Common Stock	806,016.28	1,213,516.28

EARNED SURPLUS (per Statement III)

71,004.66

NOTE: Cumulative Dividends are in arrears:

On First Preference Stock, from 31st March, 1939.

On Second Preference Stock, from 31st March, 1938.

\$2,149,829.04

REPORT

For the year ended 31st December, 1939, and, in accordance with the requirements of the Companies Act (Dominion) we report that we have obtained all the information necessary for the purpose of the audit of the accounts of the Company at 31st December, 1939, according to the best of our information and the explanations given to us, and as shown in the Balance Sheet, which in the opinion of the Directors is adequate.

GEORGE A. TOUCHE & CO.,
Chartered Accountants, Auditors.

THE GREAT WEST SADDLERY COMPANY

BALANCE SHEET AS AT 31st DECEMBER 1939

STATEMENT OF ASSETS AND LIABILITIES

ASSETS

CURRENT ASSETS

Cash on Hand		\$ 3,215.84
Accounts Receivable	\$ 464,815.21	
Less Reserve	18,596.03	
	<u>\$ 446,219.18</u>	
Relief Orders (payable out of funds provided by Dominion and Provincial Governments)	17,897.46	464,116.64
Raw Materials, Goods in Process, Finished Stock, Supplies, and Goods in Transit as per inventories valued on the basis of cost or market, whichever is lower, as determined from cost and other records and certified by responsible officials	881,327.71	
Less Reserve	<u>25,000.00</u>	856,327.71
		<u>\$1,323,660.19</u>

MORTGAGES, AGREEMENTS FOR SALE AND SUNDRY SECURITIES

3,789.28

PROPERTIES ACQUIRED THROUGH LIQUIDATION OF COLLATERAL

6,202.00

FIXED ASSETS

Land, Buildings, Plant, Machinery and Equipment at depreciated values based on appraisal by Sterling Appraisal Co. Ltd., dated 10th February, 1928, with subsequent additions at cost, less Depreciation Reserve provided to 31st December, 1936		805,021.10
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DEFERRED CHARGES, prepaid insurance, etc.		6,794.81
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EQUITY IN RECIPROCAL INSURANCE EXCHANGES	\$ 11,860.66	
Less Reserve	<u>7,500.00</u>	4,360.66

GOODWILL		1.00
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Approved on behalf of the Board:

H. E. COCHRAN, Director.

D. J. HUTCHINGS, Director.

\$2,149,829.04

To the Shareholders of

The Great West Saddlery Company, Limited, Winnipeg.

We have examined the books and accounts of The Great West Saddlery Company, Limited, for the year ended 31st December 1939, and explanations we have required. In our opinion the Balance Sheet is properly drawn up so as to exhibit a true and correct view of the assets and liabilities shown by the books of the Company. Depreciation, provided at the usual rates, is now based on the reduced values as shown in the

Winnipeg, 7th February, 1940.

AUDITOR

The Great West Saddlery Company Ltd.

DIRECTORS

H. E. COCHRAN, Toronto	H. R. DRUMMOND-HAY, K.C., Winnipeg
A. G. A. SPENCE, Toronto	D. J. HUTCHINGS, Winnipeg
A. E. HOSKIN, K.C., Winnipeg	J. C. BROADFOOT, Winnipeg

OFFICERS

Vice-President.....	H. E. COCHRAN
Vice-President and General Manager.....	D. J. HUTCHINGS
Assistant General Manager and Secretary-Treasurer.....	J. C. BROADFOOT
General Sales Manager.....	J. B. GRAY
Branch Managers:	
Edmonton.....	M. H. WITTERS
Calgary.....	J. MACDOUGALL
Saskatoon.....	J. POWER
Regina.....	G. C. AVISON
Winnipeg.....	E. O'CONNOR